

Brief Summary - Special Meeting
Wheaton Redevelopment Advisory Committee (WRAC)
Regarding Costco at Westfield Wheaton Mall
January 25, 2010

Purpose: To get an presentation on the Costco project from Westfield, Costco and Steve Silver, Director of the Department of Economic Development

Steve Silverman, Director, Department of Economic Development

- Economic Development Fund (EDF) started in 1995
- Applications presented to the Executive and Council in closed sessions to discuss their financial needs
- Requests for EDF funds over \$100,000 require Council approval (there have been approximately 18-19 with the most recent being for Macy's)
- County Executive is most interested in the stability of Westfield and job creation, which is what has driven this proposal
- The County is discussing a subsidy with Westfield – the subsidy will be deferred until FY2012
- If the majority of the Council approve the subsidy, the Executive will move forward with sending over a Zoning Text Amendment which would allow a gas station in a regional shopping center in a C-2 zone.
- Spoke about the release of the recent Request For Qualifications (RFQ) for Wheaton
- There will be public money in the Revitalization of Wheaton – the question is do we have a private sector entity interested with a proposal
- The Executive is supporting Safeway
- All of these grants over time start producing money
- 475 new jobs would be created – the County lost 14,000 jobs last year
- If job goals not met, County may require pay back of grant
- If we were not in lean times a subsidy may not be necessary, but due to the recession it calls for a different way of thinking
- There is a small business revolving loan fund for small viable businesses that need assistance

Presentation by Jim Agliata, VP for Development, Westfield. With him were Sabrina Goris, Assistant General Manager of Westfield Mall; Erich Brann, Manager for Real Estate Development with Costco; and Jeff Ishida, Assistant Vice President for Real Estate Development with Costco (*handouts from the meeting are attached*)

- Still working with Costco – no signed lease
- Sixty year lease with options
- To bridge the financial gap – Westfield (not Costco) is requesting a four million dollar subsidy from the County – the subsidy is tied to job creation
- Provided the history of the mall
- After Hecht's vacated the mall (four years ago as a result of a merger), Westfield purchased the building; the building's been vacant for three years; its location in the

mall has been unappealing to perspective tenants because it is on the back side of the mall with limited visibility

- Costco first expressed interest in locating at Westfield in 2002; locating in a mall is a relatively new concept; after some research they found it does work in a mall
- Costco captures a larger demographic and market area;
- Demolish Hecht's building and rebuild with Costco on upper level (only entrance would be through the mall) with 80-90,000 sq. ft. of retail on the lower level – many interested retailers now if Costco comes to the mall; a members only four bay gas station (no convenience store or service bays)
- Central Montgomery County has 62,000 Costco members;
- 12,311 of the 13,382 small businesses in Central Montgomery County are members;
- Total cost of the project – approximately \$58 million
- Some of the benefits to the County include: 250-300 construction jobs; 475 new jobs (275 Costco and 200 other retail); up to 25% local firms for labor; \$300,000 per year total new property taxes; \$9,000,000 per year sales tax revenues; and \$350,000 in impact fees revenues (see handout)

Presentation by Erich Brann with Costco

- All employees full-time and part-time qualify for benefits (part-time employees are guaranteed 25 hours a week to make sure they qualify); there are other employee benefits as well
- Starting salary is \$11.00 – checkers start at \$11.50; after four years the average employee makes \$18.50 per hour
- Costco is involved in various community programs
- US Costco Gas Stations Fact Sheet was distributed (see attached)
- The Wheaton store would relieve some of the heavy use in Gaithersburg

Responses to some questions:

- 5% of their sales is from the Gas Station
- Employees pay about 11% of the cost of their benefits
- Current employees would have the opportunity to transfer to the Wheaton store
- Wheaton store would be identical to the merchandise at the Beltsville store (except for regional items) only a little larger
- The membership fee is where they make their profit – there are two levels of membership – Gold Star (\$50) and Executive(\$100)
- There are no free memberships given when a new Costco opens
- Costco deals more in bulk (4,000 products), has less and more higher-end products than Walmart (200,000 products)
- Anticipated hours of operation are M-F 10am – 8:00pm; Sat. open till 8:30pm; Sun. open till 6:00pm; no outdoor sound system; deliveries typically begin at 4:00am; they will comply with the County noise ordinance
- Westfield has proposed a Zoning Text Amendment to allow the Gas Station -- which is supported by the County Executive – the Special Exception process would take about a year or more

- Height of the new building will be approximately eight feet taller than the existing Hechts Building
- Westfield is looking at the traffic pattern -- to include if they can use University Blvd.
- There were no non-cash subsidy alternatives that would work
- Projected opening would be late in 2011 or sometime in 2012
- The County has seen the returns they expected from the subsidy given for Macy's and no additional funds were given to Westfield for structural issues with the garage
- No wholesale or retail businesses in the past five years have received funds
- A copy of the HR&A Economic Impact Study will be provided to the WRAC
- Parking is grade level with the second floor on the west side of the building and connected by a pedestrian bridge to the garage on the east side
- Each Costco store has a charity fund that is always spent locally
- Costco, in the past, closed two stores that didn't do well, then later when back to the same location and reopened and did well
- Closest stores to Wheaton are Pentagon City, Frederick, Gaithersburg, Beltsville; there are no stores in DC

There were some written questions submitted by the WRAC members that Westfield and Costco will respond to.

Adjourned 8:40



Facts and Features

May 2009

Company Profile

Costco operates an international chain of membership warehouses, mainly under the "Costco Wholesale" name, that carry quality, brand name merchandise at substantially lower prices than are typically found at conventional wholesale or retail sources. The warehouses are designed to help small-to-medium-sized business reduce costs in purchasing for resale and for everyday business use. Individuals belonging to certain qualified groups are also able to purchase for their personal needs.

Costco's warehouses present one of the largest and most exclusive product category selections to be found under a single roof. Categories include groceries, candy, appliances, television, media, automotive supplies, tires, toys, hardware, sporting goods, jewelry, watches, cameras, books, housewares, apparel, health and beauty aids, tobacco, furniture, office supplies and office equipment. Costco is known for carrying top quality national and regional brands, with 100% satisfaction guaranteed, at prices consistently below traditional wholesale or retail outlets.

Members can also shop for private label Kirkland Signature products, designed to be of equal or better quality than national brands, including diapers, photographic film, cookies, coffee, tires, housewares, luggage, appliances, clothing and detergent. The Company also operates self-service gasoline stations at a number of its U.S. and Canadian locations.

Additionally, Costco Wholesale Industries, a division of the Company, operates manufacturing businesses, including special food packaging, optical laboratories, meat processing and jewelry distribution. These businesses have a common goal of providing members with high quality products at substantially lower prices.

According to Jim Sinegal, the Company's President and Chief Executive Officer, "Costco is able to offer lower prices and better values by eliminating virtually all the frills and costs historically associated with conventional wholesalers and retailers, including salespeople, fancy buildings, delivery, billing and accounts receivable. We run a tight operation with extremely low overhead which enables us to pass on dramatic savings to our members."



Founded in 1983

Costco Wholesale began operations in 1983 in Seattle, Washington. In October 1993, Costco merged with The Price Company, which pioneered the membership warehouse concept in 1976. In January 1997, after the spin-off of most of its non-warehouse

assets to Price Enterprises, Inc., the Company changed its name to Costco Wholesale Corporation, which trades under the NASDAQ symbol "COST".

While there are many imitators out there, we originated the warehouse club concept in 1976 and continue to lead the industry in terms of service, quality, value and innovation. Others have come and gone, but Costco has grown to become the 4th-largest retailer in the United States, and the largest operator, in terms of sales, of membership clubs worldwide.



Company Mission Statement

Costco's mission is to continually provide our members with quality goods and services at the lowest possible prices. In order to achieve our mission we will conduct our business with the following Code of Ethics in mind:

1. Obey the law
2. Take care of our members
3. Take care of our employees
4. Respect our vendors

If we do these four things throughout our organization, then we will realize our ultimate goal, which is to **reward our shareholders.**



Costco's Risk Free 100% Satisfaction Guarantee

On Membership: We will refund your membership fee in full at any time if you are dissatisfied.

On Merchandise: We guarantee your satisfaction on every product we sell and will refund your purchase price, with the following exceptions:

1. Electronics: Costco will accept returns within 90 days from the date of purchase.
2. Diamonds: 1.10ct or larger diamonds returned are subject to certain requirements prior to a refund.
3. Cigarettes.



Worldwide Location Totals by Country as of May 2009

555 Warehouses (as of May 2009)

- 407 in U.S. (40 states) & Puerto Rico
- 77 in Canada (9 Canadian provinces)
- 21 in the United Kingdom
- 5 in Taiwan
- 6 in Korea
- 8 in Japan
- 31 in 18 Mexican States



Financial Performance FY'08

- Annual Revenues \$72.5 Billion
- Comparable Sales 8%
- Average Sales Per Warehouse \$137 Million



Employment Facts

- 142,000+ employees worldwide, 90% benefits eligible (97% enrolled).
- Low turnover – 14.9%; 6.9% for employees with more than one year experience.
- Costco recruits primarily from the community in which it is located.
- Costco's objective is to hire promotable employees with enthusiasm and a desire to build a career.
- Costco pays among the highest wages in the industry. Its average hourly wage is \$18.63. US hourly wages:
 - Service Assistant \$11.00 to \$18.30 per hour
 - Service Clerk \$11.50 to \$20.00 per hour
 - Meat Cutters \$11.50 to \$21.50 per hour
- Costco provides a tremendous benefit package including medical, dental, vision, pharmacy, mental health and 401(k).
- Part-time employees working more than 20 hours per week receive core medical, dental and vacation benefits after 6 months.
- Part-time employees are guaranteed 24 hours per week.
- Great opportunities for career advancement, Costco promotes from within.
- Strive for 50% full-time to part-time ratio.
- Costco employment grows as sales increase.
- Substantial disposable income generated within the community.

Membership Data

- 29.8 million households
- 54.5 million cardholders

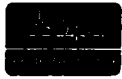
Types of Membership:



- **Business Membership** is available to all licensed businesses, nonprofit organizations, government agencies, farmers and ranchers. The \$50 annual membership fee includes a spouse card. Up to six additional Business Membership cards are available at \$40 each, which includes a free spouse card. Business identification (business license, resale certificate, or three pieces of business ID) is required when applying for a Business Membership. Costco offers Business Members a complimentary subscription to our award winning *The Costco Connection* – a lifestyle magazine for small business. It is valid at any Costco worldwide.



- **Gold Star Membership** is available for individuals who do not qualify for a Business Membership. The Gold Star Membership is \$50 per year, which includes a spouse card. It is valid at any Costco worldwide.



- **Executive Membership** is available to anyone who wants the benefits of a Costco Gold Star Membership with the added value of an Executive Membership. It adds savings by offering exclusive services and a 2% Reward. Executive Members also receive extra benefits on other member services, such as larger gift certificates for mortgage or real estate transactions; extra travel benefits and lower prices on check printing. The upgrade fee is \$50 for Gold Star and Business Members.



Why a Membership Fee?

Costco's operating philosophy is simple. We keep costs down and pass the savings on to our members. By charging a small annual membership fee, we are able to offset operating costs and price our merchandise even lower. We do not advertise, we do not have 'sales' and we never sell an item below our cost. Our tremendous buying power combined with our never-ending quest for efficiency, results in the lowest possible prices on the items our members want most.



Merchandise Strategy

- Limited selection: 3,600 – 4,300 active SKU's
- Wide range of product categories
- Highest quality national brands
- Selected private label
 - Kirkland Signature must be as good or better than the national brand
 - Minimum 20% savings
 - High volume items – many in top 10
 - Ease of development not a factor
- Substantial price savings on all items
- Packaging innovation
- New products and services
- The Six Rights of Merchandising – the basis of Costco's merchandising philosophy and practices. It is emphasized in training at all levels.
 - Right Merchandise in the
 - Right Place at the
 - Right Time in the
 - Right Quantity in the
 - Right Condition at the
 - Right Price



Specialty Departments and Services

- Fresh Produce
- Gourmet Deli & Rotisserie Chicken
- Fresh Meat
- Fresh Bakery
- Food Court
- 1 Hour Photo

- Optical Department/Optometrlist
- Automobile Buying
- Pharmacy (also at costco.com)
- Tire Center
- Gas Station
- Travel Program
- Special Order Kiosk
- Shop costco.com for products beyond the warehouse walls.™



Typical Hours of Operation

- Non Wholesale Members
 - M-F 11:00 AM to 8:30 PM
 - Saturday 9:30 AM to 6:00 PM
 - Sunday 10:00 AM to 6:00 PM
- Exclusive Wholesale Members Hours
 - M-F 10:00 AM to 11:00 AM
- Gas Station Hours 6:30 AM – 10:00 PM

How does Costco benefit the City and Community?

- Jobs
- Curbing Retail Leakage
- Property Tax Generation
- Community Involvement
- Local Services



What are examples of Costco's Community Involvement?

- 1% of pre-tax profit is designated annually for charitable organizations. Adopt-a-School Reading Program
 - Costco employees volunteer to help students in first through fifth grades improve their reading skills. Currently, there are 100 programs across the United States and Canada, with over 1,600 volunteers working one-on-one with students.
- Children's Hospital Campaigns
 - In 2008, Costco locations helped to raise \$14.3 million for 89 Children's Hospitals across the U.S. and Canada.
- United Way Campaign 2008
 - All North America locations participated raising over \$13.2 million (including company match).
- Fresh Start Backpack Program
 - More than 3.1 million backpacks have been donated to children in need in the U.S., Canada, Mexico, Taiwan, Korea, Japan, Puerto Rico and the U.K. since 1993.
- Communities in Schools
 - Communities In Schools is a nationwide nonprofit organization, which partners with families, schools and community leaders to create a support

system for students. Costco supports CIS both financially and through employee volunteer efforts.

- **Costco Scholarship Fund**
 - Over 1,000 scholarships have been awarded to qualified students.



WHEATON, MD – TRADE AREA INFORMATION

- The Wheaton Trade area is defined generally as Central Montgomery County.
(See Attached Map)
- Costco presently has 62,000 members in Central Montgomery County.
- This same defined region has 177,405 Households.
- 35% of households in Central Montgomery County have Costco memberships.
- Of Costco's 62,000 total memberships, 12,311 are Business Members.
- There are 13,382 Businesses located in Central Montgomery County.
- 92% of businesses in Central Montgomery County have Costco memberships.
- These existing Costco members primarily shop at 2 existing locations:
 - Beltsville in Prince Georges County (10 miles east)
 - Gaithersburg – 12.5 miles northwest.

US Costco Gas Stations Fact Sheet (as of 7.10.09)

- Members Only
- No convenience store associated with the gas station
- No cash (allows for faster transaction times)
- Debit, American Express, and Costco cash cards only
- Hours vary by location, but are typically:

Monday – Friday	6 - 9:30
Saturday	6 – 7
Sunday	6 – 6

- One way traffic (allows for easier and faster in and out of the stations)
- Long hoses at every pump (allow customers to fuel from both sides of the vehicle)
- Selling high volumes = lower priced gas
- Only sell regular and premium gas
- First gas station was added to Tucson, AZ store in October 1995. Four additional gas stations were added in 1996. Grew significantly from then on.
- Competition quickly followed the model. Sam's, Wal-Mart, Albertson's, Safeway, BJ's and others have all added gas stations to their business model as an ancillary business.
- **Certified Costco Gas Attendants** – The best environmental and safety features of Costco gas stations are the trained fuel attendants. All attendants must pass a certification test before they can work at a Costco gas station. The attendants work at the fuel islands instead of behind a c-store cash register, so they can respond immediately to any safety or environmental issue. They know what to do in case of an emergency. Plus, they have a warehouse full of capable Costco employees ready to assist. Costco's outstanding safety and environmental record is ultimately due to the great team members all upholding the company's strong environmental and service ethic.
- **Best equipment in the industry with Continuous Leak Monitoring.** All Costco gas stations have corrosion-proof double-wall underground storage tanks and piping. Everything underground is continuously monitored for leaks via an electronic monitoring system. The entire station will automatically shut down if a leak is detected. These electronic systems are monitored 24/7 by both Costco employees and an outside service. The secondary containment system assures that even if a leak did occur, it would never actually reach the environment.
- **Oil/Water Separators** – virtually all Costco gas stations have one. These trap any surface hydrocarbons before they can enter the storm sewer system. An oil-water separator is designed to protect the storm drains from oil or gas run-off due to leaks and spills at the gas station. All run-off from under the canopy is funneled into one or more catch basins and then through the separator. Oil and gasoline are lighter than water, so it floats on top of water and is captured in the separator. These are maintained yearly.

- **Vapor Recovery Systems** – Almost all our gas stations feature vapor recovery systems which capture gasoline vapors displaced during vehicle refueling and routes them back to the underground storage tanks. Various levels of government, led by California's Air Resource Board (CARB), closely control the approval and use of these systems. Costco works closely with CARB and other local agencies to test and approve new pollution control equipment, by offering our high volume stations as certification test sites.

Another example of our cooperation with air pollution control agencies was a recent equipment test in Florida, done in conjunction with the Florida and Federal Departments of Environmental Protection. Costco tested a membrane processor that dramatically reduces a gas station's vapor emissions by separating gasoline vapors from air. The vapors are left in the underground tanks, while only clean air is released to the atmosphere. The test was a success and Costco has already installed membrane processors at many locations.

- **Spill Clean Up Program** – The best equipment in the world doesn't prevent the occasional surface spill, which is often caused by human error. Spilled fuel is a safety as well as environmental concern, so we train our gas station attendants on how to properly clean up a surface spill before it evaporates or finds its way into the soil. Every Costco station operates with a spill kit on the fuel islands at all times.

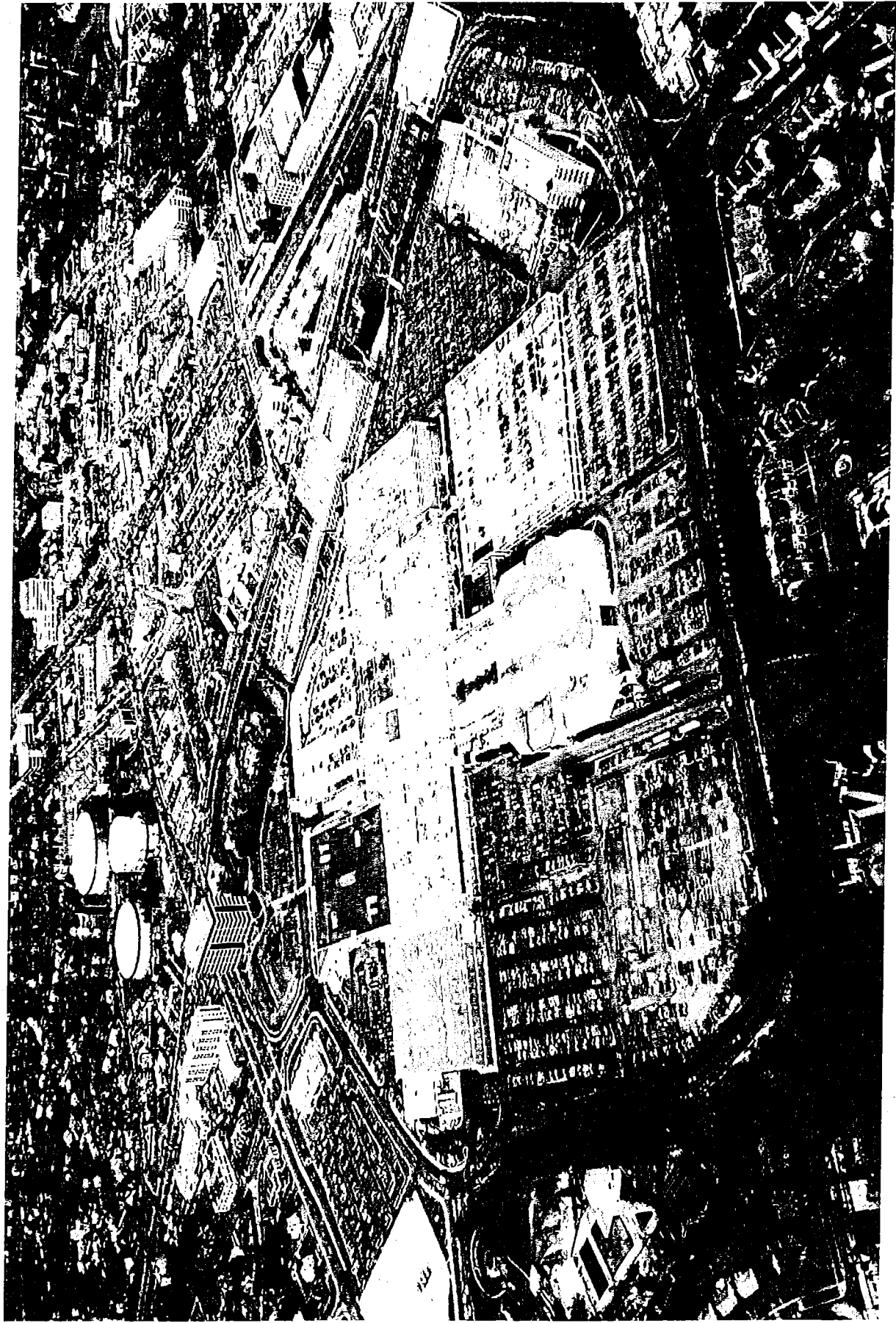
For several years, all Costco gas stations have used a fuel mitigation solution called FM-186 to clean up spills. The FM solution is a radical improvement to previous technologies. Our attendants simply spray the solution on the spill and mix it in with a brush. The FM-186 immediately renders the spill non-flammable by stopping the fuel's evaporation. The process also allows naturally occurring bacteria to consume the energy-rich hydrocarbon molecules. This bio-remediation includes even the very toxic molecules benzene and toluene commonly found in gasoline. The resulting spill cleanup materials are non-hazardous. FM-186 is a product of Environmental Chemical Solutions, Inc. located in Washington State.

- **Safety** – Trained and certified Costco attendants stationed on the fuel islands make our gas stations the safest places to buy fuel. Our employees help customers in a variety of ways, including aid to the elderly and disabled. They always rigorously enforce the national fire code, including the prohibitions against smoking, leaving the engine running, or filling unsafe portable containers.

Costco gas stations feature several emergency shut-off buttons that immediately cut power to the station in case of emergency. We also have automatic 911 phones, eye wash, spill containment and clean up supplies, and several fire extinguishers. Costco stations are also equipped with fifteen automatic dry chemical fire extinguishers in case of an underground leak and potential fire.

Every Costco gas attendant wears a safety vest and is equipped with a wireless phone to call for assistance if necessary.

In summary, Costco Gasoline has a very well developed and comprehensive program for assuring the greatest possible level of both safety and environmental protection. We sell a tremendous quantity of fuel around the country, and we believe that our environmental and safety record is second to none in the industry.



PROPOSED DEVELOPMENT

AERIAL VIEW 1

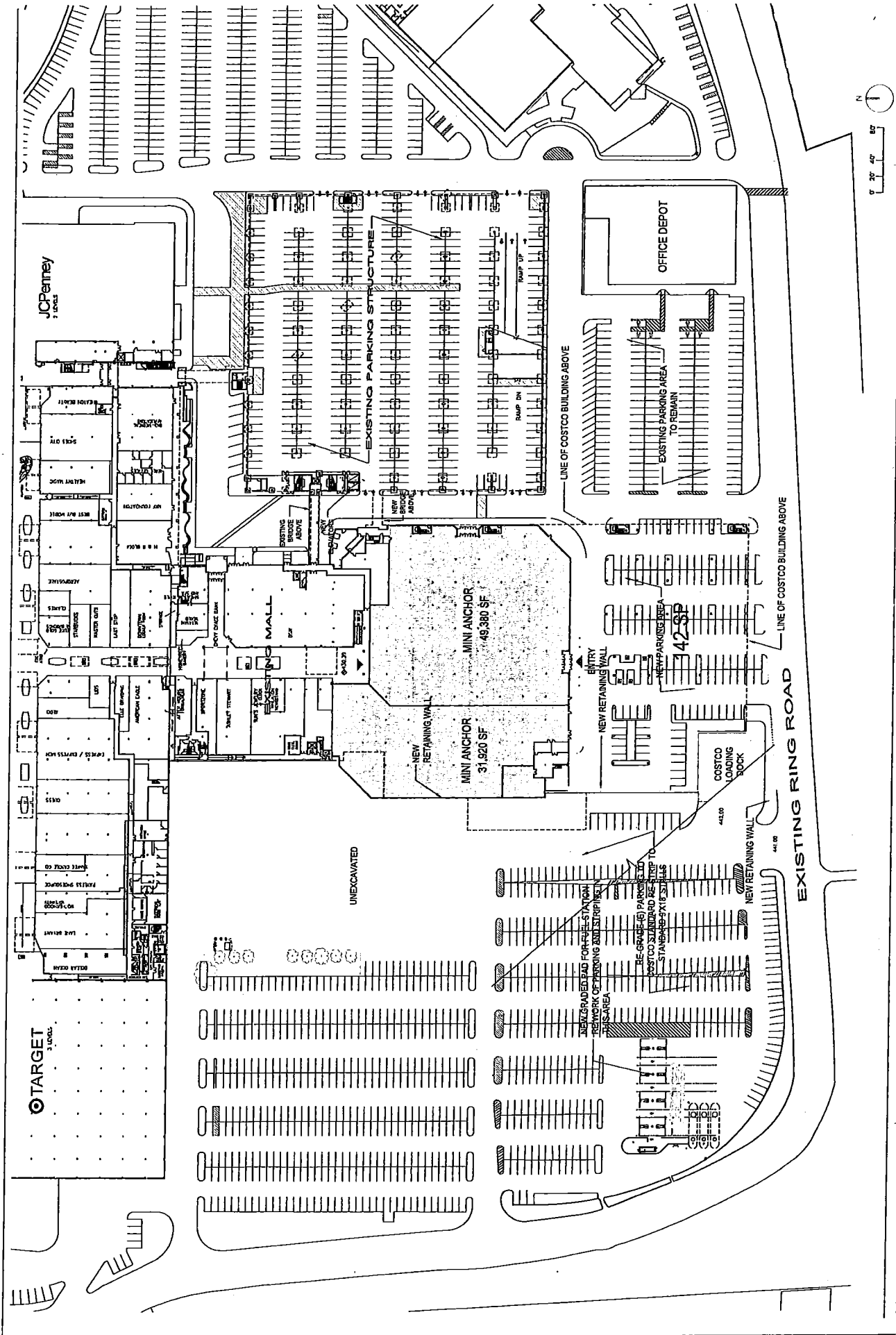
SCALE: N/A
DATE: 09 MAR, 2009

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SHEET

Westfield Design
11801 Wilshire Blvd., 11th Floor
Los Angeles, CA 90025





WESTFIELD DESIGN
11601 Wilshire Blvd. 11th Floor
Los Angeles, CA 90025

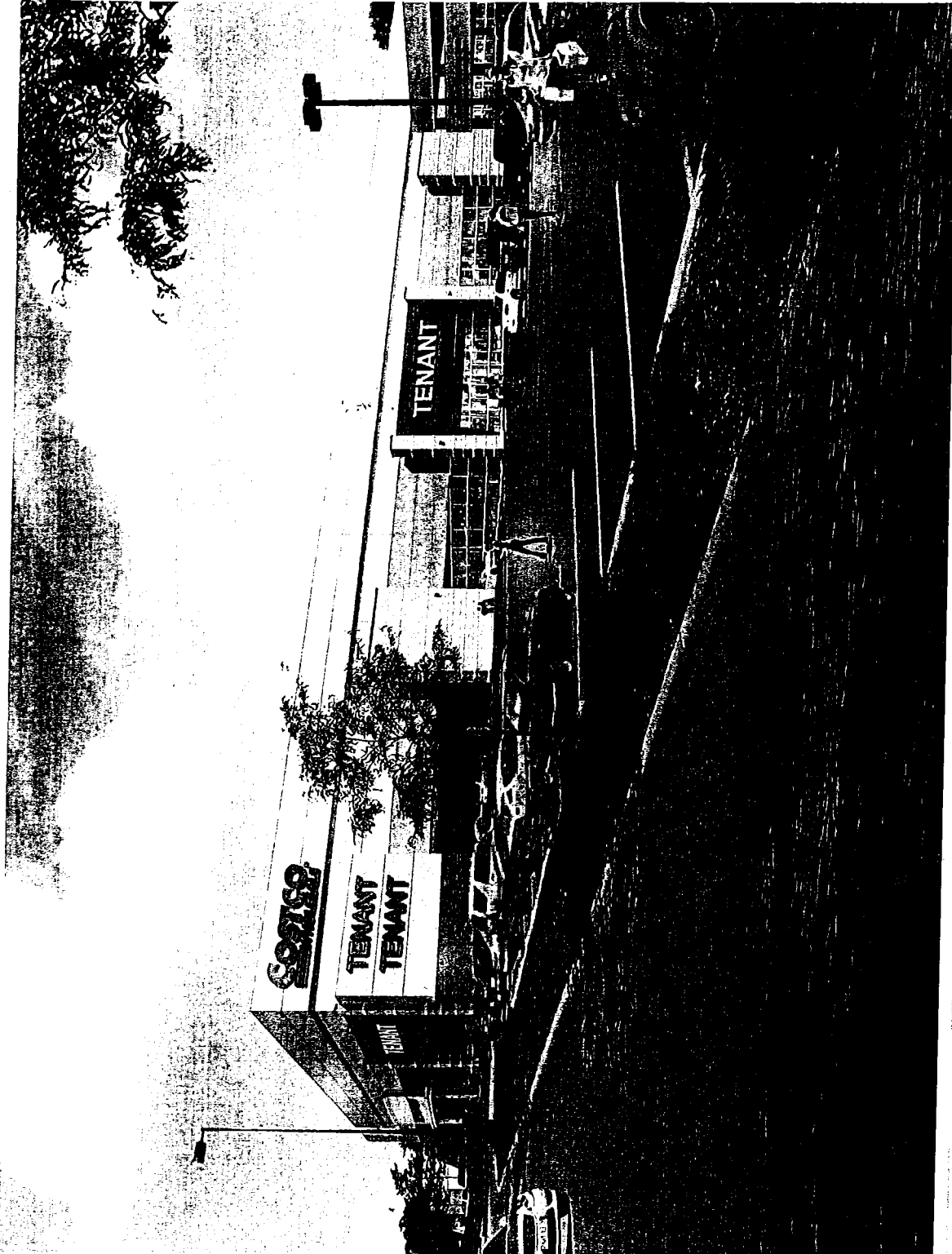
PROPOSED COSTCO

DP-033

LEVEL ONE

SCHEME SIZE: 30' x 42' April 24, 2009





WESTFIELD DESIGN
11601 Wilshire Blvd. 11th Floor
Los Angeles, CA 90025

PROPOSED RENDERING

DP-033

SCHEME

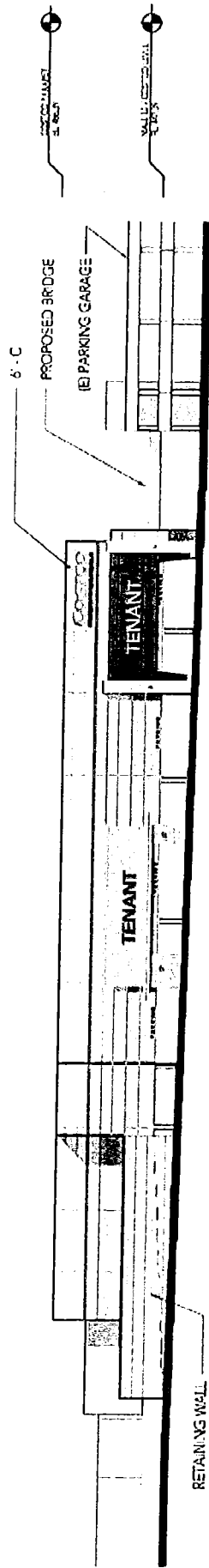
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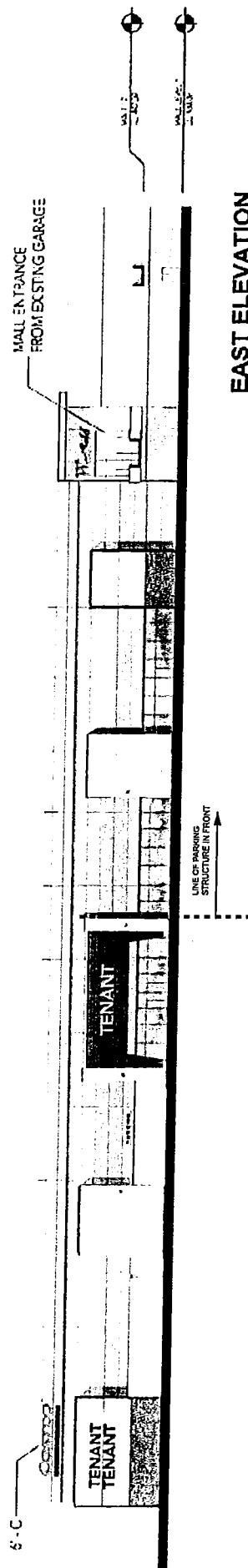
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WEST



SOUTH ELEVATION



EAST ELEVATION

0 25 50

WESTFIELD DESIGN
11601 Wilshire Blvd. 11th Floor
Los Angeles, CA 90025

COSTCO ELEVATION STUDY

DP-033

ELEVATION STUDY

SCHD'E

SHEET 1 OF 1

DATE: Dec 12, 2009



**Westfield Wheaton
Wheaton, Maryland**

Request for Montgomery County Economic Development Grant

January 18, 2010

Project Description:	Approximately 232,000 square foot addition to Westfield Wheaton, to include a 148,000 square foot COSTCO on the second level and 80,000 square feet of retail on the first level. A COSTCO fuel station will be added on site. To be located in the former Hecht's Department Store Location.
Total Costs of Project:	Approximately \$58M.
Total Number of Construction/Temporary Jobs:	250 to 300 Construction jobs.
Construction Indirect Impacts to County:	\$55 Million Dollars per HR&A Study.
Commitment to use local labor:	Up to 25% to local firms
Total Number of New Jobs:	475 New Jobs, 275 COSTCO jobs and 200 other retail jobs, net of indirect job impact in surrounding areas.
Employment Indirect Impacts to County:	\$46 Million Dollars Annually per HR&A Study
Total New Property Taxes:¹	\$300,000 per year based on \$30M increase in assessment.
Sales Tax Revenues:	\$9,000,000 per year based on \$150M in new sales, net of indirect revenues impact from sales in surrounding areas.
Impact Fees Revenues:	\$350,000 based on 80,000 square feet net addition at \$4.34/1000 sf.

¹ The Enterprise Zone Property Tax Credit will apply.